

# Exhibit A



ATTN: JULIE / 1 of 9 PAGES.

Seoul, Korea

# BUSINESS OWNERS POLICY

## DECLARATIONS - PART TWO

INSURING OFFICE MIUI-Saipan BRANCH		
DATE 06/04/04	NEW ( )	RENEW (X)

POLICY NO. KBO-00051-S01

NAME OF INSURED	DONG KUK CORPORATION-FRESH SASHIMI HOUSE & HAN KOOK BAN JUN		<input type="checkbox"/> INDIVIDUALS <input checked="" type="checkbox"/> PARTNERSHIP
ADDRESS	PMB 392 BOX 10001, SAIPAN, MP 96950		<input type="checkbox"/> CORPORATION <input type="checkbox"/> OTHERS
POLICY PERIOD	FROM 05/30/04 TO 05/30/05 12:01 AM Standard Time at The Address of insured as stated below		
LOCATION OF PREMISES	UNNAMED ROAD, CHALAN KANOA, SAIPAN, CNMI 6835		
PRODUCER NAME	MOYLAN'S INSURANCE UNDERWRITERS, (INT'L PRODUCER CODE #		

Insurance is provided with respect to those coverages and kinds of property for which a specific limit of insurance is shown, subject to all the items of this policy including forms and endorsements as enumerated in the declarations schedule form BOP-01 attached hereto and made a part hereof.

## SCHEDULE

### SECTION I - BUILDINGS, BUSINESS PERSONAL PROPERTY COVERAGE

LIMIT OF INSURANCE	COVERAGE	PREMIUM
\$	COVERAGE A - BUILDING <input type="checkbox"/> REPLACEMENT COST VALUE <input type="checkbox"/> ACTUAL CASH VALUE	\$
\$ 100,000.00	COVERAGE B - BUSINESS PERSONAL PROPERTY	\$ 702.00
TOTAL PREMIUM - SECTION I		\$ 702.00

### SECTION II - BUSINESS LIABILITY COVERAGE

LIMIT OF INSURANCE	COVERAGE	PREMIUM
B.L. : \$ (each occurrence & aggregate)	COVERAGE C - BUSINESS LIABILITY The limit of liability with respect to the products and completed operations hazards combined are an aggregate limit for all occurrence during the policy period.	\$
P.D. : \$ (each occurrence & aggregate)		\$ 374.00
C.S.L. : \$ 300,000.00 (each occurrence & aggregate)		\$ 374.00
\$ (each person)	COVERAGE D - MEDICAL EXPENSES	\$ 374.00
TOTAL PREMIUM - SECTION II		\$

### SECTION III - WORKMEN'S COMPENSATION & EMPLOYER'S LIABILITY

COVERAGE E - This policy applies to the Workmen's Compensation Law and any occupational law of the territory of Guam.				
CLASSIFICATION OF WORKS	CODE NO.	PREMIUM BASIS	RATES	ESTIMATED ANNUAL PREMIUM
***NOT COVERED***				\$
MINIMUM PREMIUM : \$				TOTAL DEPOSIT PREMIUM \$
COVERAGE F - EMPLOYER'S LIABILITY : LIMIT OF LIABILITY \$				PREMIUM \$
TOTAL PREMIUM - SECTION III				\$

### ADDITIONAL COVERAGES

The following coverages are added under this policy when designated by an "X" in the box(es) shown below.

LIMIT OF INSURANCE	COVERAGES	PREMIUM
\$	<input type="checkbox"/> FIRE LEGAL LIABILITY	\$
\$ NOT COVERED	<input type="checkbox"/> BUSINESS INCOME, not exceeding 12 consecutive month	\$
\$	<input type="checkbox"/> EXTRA EXPENSES, not exceeding 12 consecutive month	\$
ADDITIONAL COVERAGE TOTAL PREMIUM		\$
OPTIONAL COVERAGE TOTAL PREMIUM		\$
GRAND TOTAL PREMIUM		\$1,076.00
2% ASSESSMENT (PUBLIC LAW 21-10, SECTION 2)		\$

Countersigned on this 04 th day of JUNE 2004  
713599/UND85/601/REG

Authorized Representative

FILE

**DECLARATIONS (Continued)**

Name of Insured: DONG KUK CORPORATION-FRESH SASHIMI HOUSE RESTAURANT AND HAN  
KOOK BAN JUN  
Policy No.: KBO-00051-S01

**DECLARATIONS SCHEDULE**

Covered Causes of Loss: Fire/Lightning and Extended Coverage.

Agreed Value: See SCHEDULE OF PROPERTY attached.

Limit of Insurance: See SCHEDULE OF PROPERTY attached.

Deductible: See Deductible Endorsement attached.

Description: See SCHEDULE OF PROPERTY attached.

Subject to the following clauses/riders or endorsements marked "X" under this policy.

- Asbestos Exclusion Clause
- Communicable Disease Exclusion Clause
- Punitive Damages Exclusion Endorsement
- Exclusion Year 2000 Computer-Related and Other Electronic Problems
- Agreed Value
- Co-insurance Clause
- 
- 

Subject to the following clauses/riders attached to and forming part of this policy.

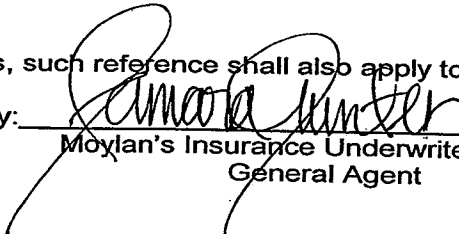
- Declaration Schedule
- Contents Form 1140 RE
- General Liability Hazards Endorsement
- Pollution Exclusion Endorsement
- Combined Single Limit Endorsement
- Extended Coverage
- 
- 
- 
- 
- 
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Attached to and forming part of Part Two – Declarations Page

Effective Date of This Page May 30, 2004

Wherever a policy provision refers to the Declarations, such reference shall also apply to this Declaration Page.

By: \_\_\_\_\_

  
Moylan's Insurance Underwriters, Inc.  
General Agent

Endorsement No. : 01

Additional Premium: Included Return Premium \_\_\_\_\_

Name of Assured : DONG KUK CORPORATION-FRESH SASHIMI HOUSE RESTAURANT AND HAN KOOK BAN JUN

**DECLARATION SCHEDULE**

It is hereby understood and agreed that limit of insurance under Section I of this Policy is described and apportioned hereunder:

\$ 100,000.00- On the contents, usual to a restaurant allwhilst contained in the restaurant located at Unnamed Road, Chalan Kanoa, Saipan, CNMI.

**PERILS INSURED AGAINTS**

**Deductible**

Fire /Lightning  
Extended Coverage

2.5% of the Sum Insured minimum of \$5,000.00

Nothing herein contained shall be held to vary, alter, waive or change any of the terms, limits or conditions of the policy, except as hereinafter set forth.

This endorsement is effective: March 30, 2004

Attached to and forming part of Policy No. KBO-00051-S01 of Dongbu Insurance Company, Ltd.

Date Issued June 4, 2004

By: 

Moylan's Insurance Und. (Intl) Inc.  
GENERAL AGENT

## CONTENTS FORM – FIRE

ATTACHED TO AND FORMING PART OF POLICY NO. KBO-00051-S01 OF THE DONGBU INSURANCE COMPANY, LTD.

AS PER ATTACHED SCHEDULE OF PROPERTIES COVERED.

**EXCLUSIONS** – This policy does not cover accounts, bills, currency, deeds, evidence of debt, money, notes or securities of any kind. If books of record, accounts, card index systems or other records are covered under this policy, this Company shall not be liable for more than their value blank.

**ELECTRICAL DEVICES** – if electrical devices, appliances, apparatus or machinery of any kind, including wiring, are covered under this policy, this Company shall not be liable for any ELECTRICAL INJURY or disturbance to the said electrical devices, appliances, apparatus, machinery or wiring from artificial causes unless fire ensues, and if fire does ensue, this Company shall be liable only for its proportion of loss caused by such ensuing fire.

**IMPROVEMENTS AND BETTERMENTS** – Liability is also assumed under this item for loss or damage resulting from the perils insured hereunder, to the Insured's interest in improvements and betterments to the building described herein (except when the building is owned by the Insured or when said improvements and betterments are covered jointly in the name of the owner of the building and the tenant or lessee).

**PRIVILEGES GRANTED** – (1) To work at all hours; (2) for present and other occupancies not more hazardous and to do such work and to use and keep on the premises all such articles, materials and supplies as are usual in such occupancies; (3) to make alterations, additions or repairs, and this policy (so far as it applies to the building being altered or repaired), shall cover, in accordance with its conditions, all such alterations, or additions, materials and supplies therefore; (4) for other insurance; (5) printed form of receipt for premium not required; (6) permission is granted for the property insured to remain vacant or unoccupied as occasion may require without limit of time; (7) in case of loss, the Insured, if they so elect, may immediately begin repairs or reconstruction, but such work shall at all times be open to the supervision of the underwriters, and in case of dispute as to the cost of repair and/or reconstruction the loss shall be settled in accordance with the terms of this policy. The sole object of this clause being not to deprive the Assured from the use of operating properties which may be necessary to their business; (8) error in name, description or location of property, the omission to state a material fact, shall not invalidate this insurance.

**REMOVAL PERMIT** – It is hereby understood and agreed that this policy shall be extended to cover against all direct loss and/or damage caused by the removing of the property hereunder insured, from locations or premises effected by the perils insured hereunder, and also, to cover during the term of ten (10) days, such property in any other place where it should be necessary to move the insured property in order to preserve it from the perils insured hereunder or to maintain it safe from the peril of the occurrence.

**DEBRIS REMOVAL** – This insurance covers expenses incurred in the removal of all debris of the property covered hereunder which may be occasioned by loss caused by any of the perils insured against in this policy. However the total liability under this policy for both loss to property and removal of debris shall not exceed the amount of insurance applying under this policy to the property damage or destroyed. This Company shall not be liable for more than the proportion of each debris removal expense as the amount of insurance under this policy bears to the total amount of insurance on the property covered hereunder whether or not all such insurance includes this clause. Unless liability is otherwise specifically assumed by endorsement attached hereto, this Company shall not be liable for debris removal expense occasioned by the enforcement of any state or municipal law or ordinance which necessitates the demolition of any portion of a building covered hereunder which has or has not suffered damage by any of the perils insured against. If this policy covers on two or more items, this clause shall apply to each item separately. Debris removal expense shall not be considered in the determination of actual cash value in the application of the Coinsurance Clause, if any, made a part of this policy.

**CIVIL AUTHORITY** – The insurance is extended to cover direct loss or damage to the described property caused by acts of destruction executed by order of any Public Authority at the time of and only during a conflagration to retard the spread thereof, provided, however, that such conflagration was caused by the perils insured under this policy and subject to all other terms and conditions of this policy. This Company shall not be liable, however, for more than the amount for which it would have been liable had the loss been caused by a peril insured against under this contract.

**BREACH OF CONDITIONS** – Where it is stipulated in this policy that without the consent of the insurer endorsed hereon or added hereto, the breach of a condition shall avoid the entire policy, it shall be held that such breach does not in fact avoid the policy, but that the application of this insurance to the building or fire division (and contents), in which the breach occurs shall be suspended during the time the breach continues.

**AUTOMATIC REINSTATEMENT** – In the event of loss or damage under this policy, the amount payable for such loss or damage shall be automatically reinstated from the time of the happening and the insured shall pay an additional premium therefore figured pro rata from the date of loss to the expiration of this policy.

**SUBROGATION WAIVER** – It is hereby stipulated that this insurance shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for loss occurring to the property described herein. The right of subrogation against any of the insureds and/or subsidiary and/or affiliated companies and/or companies associated with the insured through ownership or management is waived.

**CANCELLATION** – This insurance may at any time be terminated at the option of the Company on thirty (30) days notice to that effect being given to the insured, in which case the Company shall be liable to repay on demand of the premium for the unexpired term from the date of cancellation.

**TIME** – Wherever reference is made to the time in this policy regarding hours of day or night, it shall be held to be STANDARD TIME at the place or places where this policy covers.

**CURRENCY** – Unless otherwise specified, the amount used herein are in United States of America currency. Premium and losses, if any, shall be payable in that currency at Agana, Guam.

**WRITTEN CLAIM FOR LOSS** – Unless further extended in writing, a period of sixty (60) days (from date of loss) is allowed for submission of a detailed written claim for loss or damage.

**NO CONTROL** – This policy shall not be affected by the failure of the Insured to comply with any of the warranties or conditions enclosed hereon in any portion of the premises over which the Insured has no control.

**TITLES OF PARAGRAPHS** – The titles of paragraphs of this form (and of endorsement and supplemental contracts, if any, now or hereafter attached to this policy), are included solely for the convenience of reference and shall not be deemed, in any way, to limit or affect the provisions to which they relate.

**FORMS, ENDORSEMENTS AND RIDERS** – The provisions, stipulations and conditions of all forms, endorsements and riders, now or hereafter attached to and forming part of this policy shall supersede any part or parts of the printed conditions of this policy with which they are, or might be at variance.

**NUCLEAR EXCLUSION CLAUSE**

This policy does not cover loss or damage caused by nuclear reaction or nuclear radiation or radioactive contamination, all whether directly or indirectly resulting from an insured peril under this policy.

  
\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

## GENERAL LIABILITY ENDORSEMENT

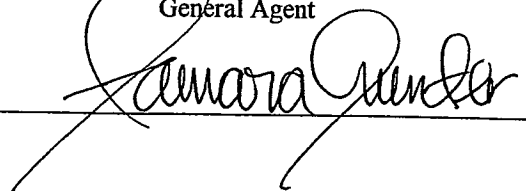
NAMED INSURED: DONG KUK CORPORATION-FRESH SASHIMI HOUSE RESTAURANT AND HAN KOOK BAN JUN  
 For attachment to Policy No.: KBO-00051-S01 to complete said policy.

GENERAL LIABILITY HAZARDS						
DESCRIPTION OF HAZARDS	CODE NO.	PREMIUM BASES	RATES		ADVANCE PREMIUM	
			Bodily Injury	Property Damage	Bodily Injury	Property Damage
Premises Operations  Contents Only  On the contents usual to a restaurant allwhilst contained in the restaurant located at Unnamed Road, Chalan Kanoa, Saipan, CNMI.		(a)Area (sq.ft) (b)Remuneration (c)Sales (d)Unit (e)payroll	Per 100 sq. ft Per \$1000 Per No. of Per \$1000 of	Per 100 sq. ft Per \$100 Units Sales	\$374.00	Included
Escalators (Number at Premises)		Number Insured  NOT COVERED	Per Landing			
Independent Contractors		Cost  NOT COVERED	Per \$100 of Cost			
Completed Operations		Receipts  NOT COVERED	(a) Per \$1000 of Receipts			
Products		Receipts  NOT COVERED	(b) Per 1000	of Sales		
Total Advance B.I. and P.D. Premiums					\$374.00	Included
					Total Advance Premium	
					2% Assessment Fee	
					Total Premium	\$374.00
Location of all premises owned by, rented to or controlled by the Named Insured: (Enter "same" if same as Item 1 of Declarations)						
Interest of Named Insured in insured premises: "OWNER", "GENERAL LESSEE" or "TENANT"						
Part Occupied by the Named Insured						

The foregoing discloses all hazards insured hereunder known to exist at the effective date of this policy, unless otherwise stated herein.

MOYLAN'S INSURANCE UNDERWRITERS, (Intl.) INC.  
 General Agent

By





### **COMBINED SINGLE LIMIT OF LIABILITY**

Effective as of inception of the policy of which this form is made a part, the Company's Limit of Liability is amended to read as follows:

**1. Limit of Liability – Per Occurrence**

As respects all coverage afforded under this policy, the Company's limit of liability for all damages, including care and loss of services arising out of bodily injury, sickness or disease including death at any time resulting therefrom, and for all damages arising out of injury to or destruction of tangible property, including the loss of use thereof, and all supplementary payments, including costs incurred in the defense of any claim, resulting from any one occurrence shall be the amount indicated below.

**2. Limit of Liability – Policy Aggregate**

Subject to the foregoing provision respecting each occurrence, the total annual aggregate limit of the Company's liability for all damages, including care and loss of services arising out of bodily injury, sickness or disease including death at any time resulting therefrom, and for all damages arising out of injury to or destruction of tangible property, including the loss of use thereof, and all supplementary payments, including costs incurred in the defense of any claim, as a result of all occurrences occurring during the policy period shall be the amount indicated below.

LIMIT OF LIABILITY – PER OCCURRENCE	\$ 300,000.00
LIMIT OF LIABILITY – POLICY AGGREGATE	\$ 300,000.00

**DONGBU INSURANCE CO.,LTD.**

Date Issued: July 04, 2004

By: 

Moylan's Insurance Underwriters (Intl), Inc.  
**GENERAL AGENT**



Endorsement No. : \_\_\_\_\_ Additional Premium: Included Return Premium: -0-  
 Named Insured : DONR KUK CORPORATION -FRESH SASHIMI HOUSE RESTAURANT AND HAN  
KOOK BAN JUN

## EXTENDED COVERAGE ENDORSEMENT - NO. 2

(Perils of Explosion, Aircraft, Vehicles, smoke, Except as Hereinafter Provided)

1. In consideration of an additional premium and subject to the conditions, provisions and stipulations herein and in the policy to which this endorsement is attached, including riders and endorsements thereon, the coverage of this policy is extended to include DIRECT loss or damage (including fire loss or damage) caused by EXPLOSION, AIRCRAFT, VEHICLES AND SMOKE.
2. This endorsement does not increase the amount or amounts of insurance provided in the policy to which it is attached. If this policy covers on two or more items, the provisions of this endorsement shall apply to each item separately.
3. SUBSTITUTION OF TERMS: In the application of the provisions of this policy, including riders and endorsement (but not this endorsement), to the perils covered by this endorsement, wherever the word "fire" appears there shall be substituted therefore the peril involved or the loss caused thereby, as the case required.
4. FALL OF BUILDING CLAUSE: The Fall of Building Clause, if any, in the policy to which this endorsement is attached shall not apply when the fall is caused by any of the perils included in this endorsement.
5. APPORTIONMENT CLAUSE: This Company shall not be liable for a greater proportion of any loss from any peril or perils included in this endorsement that (1) the amount of insurance under this policy bears to the whole amount of fire insurance covering the property, whether valid or not and whether collectible or not, and whether or not such other fire insurance covers against the additional peril or not and whether collectible or not covering in any manner such loss; furthermore, if there be insurance other than fire insurance covering any one or more of the perils causing loss hereunder covering specifically any individual unit or property involved in the loss, only such proportion of the insurance under this policy shall apply to such unit specifically insured, as the value of such unit shall bear to the total value of all the property covered under this policy, whether such other insurance contains a similar clause or not.
6. PROVISION APPLICABLE ONLY TO EXPLOSION: This Company shall not be liable for loss by explosion, rupture or bursting of steam boilers, steam pipes, steam turbines, steam engines, fly-wheels owned, operated or controlled by the Insured or located in the building(s) described in this policy.
7. PROVISIONS APPLICABLE ONLY TO LOSS BY AIRCRAFT AND VEHICLES: Loss by "Aircraft" includes direct loss by object falling therefrom. The term "Vehicles", as used in this endorsement means vehicles running on land or tracks but not aircraft. This Company shall not be liable however, for loss (a) by any vehicle owned or operated by the Insured or by any tenant of the described premises; (b) be vehicles to fences, driveways, walks or lawns; (c) to aircraft or vehicles including their contents other than stocks or aircrafts or vehicles in process of manufacture or for sale.
8. PROVISIONS APPLICABLE TO SMOKE: The term "Smoke" as used in this endorsement means only smoke, due to a sudden, unusual and faulty operation of any heating or cooking unit, only when such unit is connected to a chimney by a smoke pipe and while in or on the premises described in this policy, excluding, however, smoke from fireplace or industrial apparatus.
9. WAR AND OTHER OCCURRENCES EXCLUSION CLAUSE: This Company shall not be liable for loss or damage caused by any of the perils insured against under this endorsement if such loss or damage either in origin or extent is directly or indirectly, proximately or remotely, occasioned or by contributed to by any of the following occurrences, or which either in origin or extent, directly or indirectly, proximately or remotely, arises out of or in connection with any such occurrences namely: War, Invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war, mutiny, insurrection, rebellion, revolution, conspiracy, military or usurp power, martial law or state of siege or any of the events or cause which determine the proclamation of or maintenance or martial law or state of siege.
10. CONSEQUENTIAL LOSS EXCLUSION CLAUSE: This Company shall NOT be liable for Consequential loss or damage of any kind or description including delay, deterioration and loss of market.

This endorsement is effective: May 30, 2004

Attached to and forming part of Policy No. KBO-00051-S01 of Dongbu Insurance Company, Ltd.

Additional Premium: Included

Date Issued: June 4, 2004

By: \_\_\_\_\_

*Samara Sander*  
 Moylan's Insurance Und.(Int'l), Inc.  
 GENERAL AGENT

Endorsement No.: \_\_\_\_ Additional Premium: Included Return Premium: \_\_\_\_

Name of Assured: DONG KUK CORPORATION-FRESH SASHIMI HOUSE RESTAURANT AND HAN KOOK BAN JUN

### POLLUTION EXCLUSION

In consideration of the premium charged, it is hereby understood and agreed that this Policy shall not apply to:

- (1) "Bodily injury" or "Property damage" arising out of the actual, alleged or threatened discharge, dispersal, release or escape of pollutants:
  - A) At or from premises owned, rented or occupied by the Insured;
  - B) At or from any site or location used by or for the Insured or others for the handling, storage, disposal, processing or treatment of waste materials;
  - C) Which are at any time transported, handled, stored, treated, disposed of, or processed as waste by or for the Insured or any person or organization for whom the Insured may be legally responsible; or
  - D) At or from any site or location on which the Insured or any contractors or subcontractors working directly or indirectly on behalf of the Insured are performing operations;
    - I) To test for, monitor, clean up, remove, contain, treat, detoxify or neutralize the pollutants, or
    - II) If the pollutants are brought on or to the site or location by or for the Insured.
- 2) Any loss, cost or expense arising out of any governmental direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize pollutants.

Pollutants mean any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste material. Waste material includes materials which are intended to be or have been recycled, reconditioned or reclaimed.

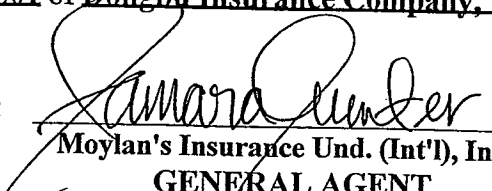
Nothing herein contained shall be held to vary, alter, waive or change any of the terms, limits or conditions of the Policy, except as herein above set forth.

This endorsement is effective: May 30, 2004

Attached to and forming part of Policy No. KBO-00051-S01 of Dongbu Insurance Company, Ltd.

Date Issued: June 04, 2004

By:

  
Moylan's Insurance Und. (Int'l), Inc.  
GENERAL AGENT



# BUSINESS OWNERS POLICY



## Moylan's Insurance Underwriters, Inc.

P.O. BOX 500658, SAIPAN, MP 96950

TEL: (670) 234-6442/7185/6129/6571

FAX: (670) 234-8641

E-MAIL: saipan@moylans.net

General Agent for:



**Dongbu Insurance Co., Ltd.**  
**Seoul, Korea**

**PLEASE READ YOUR POLICY.** If incorrect return for immediate correction.  
Carefully note condition requiring immediate notice of every occurrence, claim or suit.  
**Loss, if any, please notify: Equitable Adjusting & Services at 234-6129**

**INDEX**

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
<b>SECTION I - BUILDINGS, BUSINESS PERSONAL PROPERTY COVERAGE</b>	<b>2</b>
Coverages	2
Exclusions	6
Limits of Insurance	8
Deductibles	8
Property Loss Conditions	8
Property General Conditions	12
Optional Coverage (Applicable only if stated in the policy declarations)	13
Property Definitions	17
Statutory Endorsement	17
Endorsements	20
<b>SECTION II - BUSINESS LIABILITY COVERAGE</b>	<b>22</b>
Coverages	22
Exclusions	23
Who Is An Insured	28
Liability and Medical Expenses Limits of Insurance	28
Liability and Medical Expenses General Conditions	29
Liability and Medical Expenses Definitions	30
Endorsements	34
<b>BUSINESSOWNERS POLICY CONDITIONS</b>	<b>36</b>
<b>SECTION III - WORKMEN'S COMPENSATION AND EMPLOYER'S LIABILITY</b>	<b>39</b>
Insuring Agreements	39
Defense Settlement, Supplementary Payments	39
Application of Policy	39
Exclusions	39
Definitions	43
Endorsements	43

## PLEASE READ YOUR POLICY

If incorrect return for immediate correction. Carefully note conditions requiring immediate notice of every occurrence, claim or suit.

☒ Coverage

☐ No Coverage



## BUSINESSOWNERS POLICY - SECTION I BUILDINGS, BUSINESS PERSONAL PROPERTY COVERAGES

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to H—PROPERTY DEFINITIONS.

### A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

#### 1. Covered Property

Covered Property, as used in this policy, means the following types of property for which a Limit of Insurance is shown in the Declarations:

**a. Buildings**, meaning the buildings and structures at the premises described in the Declarations, including:

- (1) Completed additions;
- (2) Permanently installed fixtures, machinery and equipment;
- (3) Your personal property in apartments or rooms furnished by you as landlord;
- (4) Outdoor fixtures;
- (5) Personal property owned by you that is used to maintain or service the buildings or structures or the premises, including:
  - (a) Fire extinguishing equipment;
  - (b) Outdoor furniture;
  - (c) Floor coverings; and
  - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
- (6) If not covered by other insurance:

(a) Additions under construction, alterations and repairs to the buildings or structures;

(b) Materials, equipment, supplies and temporary structures, on or within 00 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.

**b. Business Personal Property** located in or on the buildings at the described premises or in the open (or in a vehicle) within 100 feet of the described premises, including:

- (1) Property you own that is used in your business;
- (2) Property of others that is in your care, custody or control; but this property is not covered for more than the amount for which you are legally liable, plus the cost of labor, materials or services furnished or arranged by you on personal property of others; and
- (3) Tenant's improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
  - (a) Made a part of the building or structure you occupy but do not own; and
  - (b) You acquired or made at your expense but cannot legally remove.

#### 2. Property Not Covered

Covered Property does not include:

- a. Aircraft, automobiles, motortrucks and other vehicles subject to motor vehicle registration;
- b. Bullion, money or securities;
- c. Contraband, or property in the course of illegal transportation or trade;
- d. Land (including land on which the property is located), water, growing crops or lawns;
- e. Outdoor fences, radio or television antennas, including their lead-in wiring, masts or towers, signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided

in the:

(1) Outdoor Property Coverage Extension;  
or

(2) Outdoor Signs Optional Coverage;

f. Watercraft (including motors, equipment and accessories) while afloat.

building or structure, or the property inside the building or structure, caused by rain, snow, sand or dust, whether driven by wind or not, unless the building or structure first sustains wind or hail damage to its roof or walls through which the rain, snow, sand or dust enters.

☐ g. **Riot or Civil Commotion, including:**

(1) Acts of striking employees while occupying the described premises; and

(2) Looting occurring at the time and place of a riot or civil commotion.

☐ h. **Vandalism**, meaning willful and malicious damage to, or destruction of, Covered Property.

We will not pay for loss or damage:

(1) To glass (other than glass building blocks) that is part of a building, structure, or an outdoor sign; but we will pay for loss of or damage to other property caused by or resulting from breakage of glass by vandals.

(2) Caused by or resulting from theft, except for building damage caused by the breaking in or exiting of burglars:

☐ i. **Sprinkler Leakage**, meaning leakage or discharge of any substance from an Automatic Sprinkler System, including collapse of a tank that is part of the system.

If the building or structure containing the Automatic Sprinkler System is Covered Property, we will also pay the cost to:

(1) Repair or replace damaged parts of the Automatic Sprinkler System if the damage:

(a) Results in sprinkler leakage; or

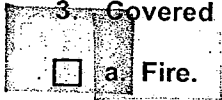
(b) Is directly caused by freezing.

(2) Tear out and replace any part of the building or structure to repair damage to the Automatic Sprinkler System that has resulted in sprinkler leakage.

Automatic Sprinkler System means:

(a) Any automatic fire protective or extinguishing system, including connected:

**3 Covered Causes of Loss**



**b. Lightning.**

☐ c. **Explosion**, including the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass. This cause of loss does not include loss or damage by:

(1) Rupture, bursting or operation of pressure relief devices; or

(2) Rupture bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water.

☐ d. **Smoke** causing sudden and accidental loss or damage. This cause of loss does not include smoke from agricultural smudging or industrial operations.

☐ e. **Aircraft or Vehicles**, meaning only physical contact of an aircraft, a spacecraft, a self propelled missile, a vehicle or an object thrown up by a vehicle with the Covered Property or with the building or structure containing the Covered Property. This cause of loss includes loss or damage by objects falling from aircraft.

We will not pay for loss or damage caused by or resulting from vehicles you own or operate.

☐ f. **Windstorm or Hail, but not including:**

(1) Frost or cold weather;

(2) Ice (other than hail), snow or sleet whether driven by wind or not;

(3) Loss of or damage to awnings or canopies, of fabric or slat construction, including their supports, outside of buildings; or

(4) Loss of or damage to the interior of any

- (i) Sprinklers and discharge nozzles;
  - (ii) Ducts, pipes, valves and fittings;
  - (iii) Tanks, their component parts and supports; and
  - (iv) Pumps and private fire protection mains.
- (b) When supplied from an automatic fire protective system:
- (i) Non-automatic fire protective systems; and
  - (ii) Hydrants, standpipes and outlets.

☐ **j. Sinkhole Collapse**, meaning loss or damage caused by the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. This cause of loss does not include the cost of filling sinkholes.

☐ **k. Volcanic Action**, meaning direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (1) Airborne volcanic blast or airborne shock waves;
- (2) Ash, dust or particulate matter; or
- (3) Lava flow.

All volcanic eruptions that occur within any 72-hour period will constitute a single occurrence. This cause of loss does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss of or damage to Covered Property.

☐ **l. Transportation**, meaning loss or damage caused by:

- (1) Collision, derailment or overturn of a vehicle;
- (2) Stranding or sinking of vessels; and
- (3) Collapse of bridges, culverts, piers, wharves or docks.

This cause of loss applies only to Covered Property in course of transit.

#### 4. Additional Coverages

##### ☐ a. Debris Removal

(1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

- (a) The date of direct physical loss or damage; or
- (b) The end of the policy period.

(2) The most we will pay under this Additional Coverage is 25% of:

- (a) The amount we pay for the direct loss or damage; plus
- (b) The deductible in this policy applicable to that loss or damage. But this limitation does not apply to any additional debris removal limit provided in paragraph (4) below.

(3) This Additional Coverage does not apply to costs to:

- (a) Extract "pollutants" from land or water; or
- (b) Remove, restore or replace polluted land or water.

(4) If:

- (a) The sum of loss or damage and debris removal expense exceeds the Limit of Insurance; or
- (b) The debris removal expense exceeds the amount payable under the 25% Debris Removal coverage limitation in paragraph (2) above:

We will pay up to an additional \$5,000 for each location in any one occurrence under the Debris Removal Additional Coverage.

##### ☐ b. Preservation of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to that property:



(1) While it is being moved or while temporarily stored at another location; and

(2) Only if the loss or damage occurs within 10 days after the property is first moved.

☐ **c. Fire Department Service Charge**

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$1,000 for your liability for fire department service charges:

(1) Assumed by contract or agreement prior to loss; or

(2) Required by local ordinance.

☐ **d. Business Income**

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration". The suspension must be caused by direct physical loss of or damage to property at the described premises, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from any Covered Cause of Loss.

We will only pay for loss of Business Income that occurs within 12 consecutive months after the date of direct physical loss or damage. This Additional Coverage is not subject to the Limits of Insurance.

Business Income means the:

(1) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and

(2) Continuing normal operating expenses incurred, including payroll.

☐ **e. Extra Expense**

We will pay necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property at the described premises, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from a Covered Cause of Loss.

Extra Expense means expense incurred:

(1) To avoid or minimize the suspension of business and to continue "operations":

(a) At the described premises; or

(b) At replacement premises or at temporary locations, including:

(i) Relocation expenses; and

(ii) Costs to equip and operate the replacement or temporary locations.

(2) To minimize the suspension of business if you cannot continue "operations"

(3) (a) To repair or replace any property; or

(b) To research, replace or restore the lost information on damaged valuable papers and records;

to the extent it reduces the amount of loss that otherwise would have been payable under this Additional Coverage or Additional Coverage d., Business Income.

We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or damage. This Additional Coverage is not subject to the Limits of Insurance.

☐ **f. Pollutant Clean Up and Removal**

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge or dispersal of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

(1) The date of direct physical loss or damage; or

(2) The end of the Policy period.

The most we will pay for each location under this Additional Coverage is \$10,000 for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy.

**5. Coverage Extensions**

In addition to the Limits of Insurance, you may

extend the insurance provided by this policy as follows:

☐ **a. Personal Property at Newly Acquired Premises**

- (1) You may extend the insurance that applies to Business Personal Property to apply to that property at any premises you acquire.

The most we will pay for loss or damage under this Extension is \$10,000 at each premises.

- (2) Insurance under this Extension for each newly acquired premises will end when any of the following first occurs:

- (a) This policy expires.
- (b) 30 days expire after you acquire or begin construction at the new premises; or
- (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the premises.

☐ **b. Personal Property Off Premises**

You may extend the insurance that applies to Business Personal Property to apply to covered Business Personal Property, other than money and securities, while it is in course of transit or temporarily at a premises you do not own, lease or operate. The most we will pay for loss or damage under this Extension is \$1,000.

☐ **c. Outdoor Property**

You may extend the insurance provided by this policy to apply to your outdoor fences, radio and television antennas, signs (other than signs attached to buildings) trees, shrubs and plants, including debris removal expense, caused by or resulting from any of the following causes of loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or

- (5) Aircraft.

The most we will pay for loss or damage under this Extension is \$1,000, but not more than \$250 for any one tree, shrub or plant.

☐ **d. Valuable Papers and Records Cost of Research**

You may extend the insurance that applies to Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records, including those which exist on electronic or magnetic media, for which duplicates do not exist. The most we will pay under this Extension is \$1,000 at each described premises.

**B. EXCLUSIONS**

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

**a. Building Ordinance**

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

**b. Earth Movement**

- (1) Any earth movement (other than sink hole collapse), such as an earthquake, landslide or earth sinking, rising or shifting. But if loss or damage by fire or explosion results, we will pay for that resulting loss or damage.
- (2) Volcanic eruption, explosion or effusion. But if loss or damage by fire or volcanic action results, we will pay for that resulting loss or damage.

**c. Governmental Action**

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire

would be covered under this policy.

**d. Nuclear Hazard**

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if loss or damage by fire results, we will pay for that resulting loss or damage.

**e. Power Failure**

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

**f. War and Military Action**

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution usurped power, or action taken by governmental authority in hindering or defending against any of these.

**g. Water**

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up from a sewer or drain; or
- (4) Water under the ground surface pressing on, or flowing or seeping through:
  - (a) Foundations, walls, floors or paved surfaces;
  - (b) Basements, whether paved or not; or
  - (c) Doors, windows or other openings.

But if loss or damage by fire, explosion or sprinkler leakage results, we will pay for that resulting loss or damage.

- 2. We will not pay for loss or damage caused by or resulting from:**

- a. Electrical Apparatus:** Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if loss or damage by fire results, we will pay for that resulting loss or damage.

- b. Burst Piping:** Rupture or bursting of water pipes (other than Automatic Sprinkler Systems) unless caused by a Covered Cause of Loss.

- c. Water Discharge:** Leakage or discharge of water or steam resulting from the breaking or cracking of any part of a system or appliance containing water or steam (other than an Automatic Sprinkler System), unless the system or appliance is damaged by a Covered Cause of Loss.

- d. Steam Apparatus:** Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control.

But if loss or damage by fire or combustion explosion results, we will pay for that resulting loss or damage.

- e. Mechanical Breakdown:** Mechanical breakdown, including rupture or bursting caused by centrifugal force.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

- 3. Business Income and Extra Expense Exclusions.**  
We will not pay for:

- a. Any Extra Expense, or increase of Business Income loss, caused by or resulting from:**

- (1) Delay in rebuilding, repairing or replacing the property or resuming "operations", due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

- (2) Suspension, lapse or cancellation of

any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations", we will cover such loss that affects your Business Income during the "period of restoration".

- b. Any other consequential loss.

### C. LIMITS OF INSURANCE

1. The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.
2. The most we will pay for loss of or damage to outdoor signs attached to buildings is \$1,000 per sign in any one occurrence.
3. The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of insurance.
4. Building Limit - Automatic Increase
  - a. The Limit of Insurance for Buildings will automatically increase by the annual percentage shown in the Declarations.
  - b. The amount of increase will be:
    - (1) The Building limit that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Building limit, times
    - (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times
    - (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Building limit, divided by 365.

Example:

If: The applicable Building limit is \$100,000. The annual percentage increase is 8%. The number of days since the beginning of the policy year (or last policy change) is 146.

The amount of increase is  $\$100,000 \times .08 \times 146 \div 365 = \$3,200$ .

5. Business Personal Property Limit - Seasonal Increase

a. The Limit of Insurance for Business Personal Property will automatically increase by 25% to provide for seasonal variations.

b. This increase will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least 100% of your average monthly values during the lesser of:

(1) The 12 months immediately preceding the date the loss or damage occurs; or

(2) The period of time you have been in business as of the date the loss or damage occurs.

### D. DEDUCTIBLES

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.
2. Regardless of the amount of the Deductible, the most we will deduct from any loss or damage under all of the following Optional Coverages in any one occurrence is \$250:
  - a. Burglary and Robbery;
  - b. Employee Dishonesty;
  - c. Exterior Grade Floor Glass; and
  - d. Outdoor Signs.

But this \$250 deductible will not increase the deductible shown in the Declarations. This deductible will be used to satisfy the requirements of the deductible in the Declarations.

3. No deductible applies to the following Additional Coverages:
  - a. Fire Department Service Charge;
  - b. Business Income; and
  - c. Extra Expense.

### E. PROPERTY LOSS CONDITIONS

**1. Abandonment**

There can be no abandonment of any property to us.

**2. Appraisal**

If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having Jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If, we submit to an appraisal, we will still retain our right to deny the claim.

**3. Duties In The Event Of Loss Or Damage**

You must see that the following are done in the event of loss or damage to Covered Property:

- a. Notify the police if a law may have been broken.
- b. Give us prompt notice of the loss or damage. Include a description of the property involved.
- c. As soon as possible, give us a description of how, when and where the loss or damage occurred.
- d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs for consideration in the settlement of the claim. This will not increase the limit of insurance.
- e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

- f. Permit us to inspect the property and records proving the loss or damage.
- g. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.
- h. Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- i. Cooperate with us in the investigation or settlement of the claim.
- j. Resume all or part of your "operations" as quickly as possible.

**4. Legal Action Against Us**

No one may bring a legal action against us under this insurance unless:

- a. There has been full compliance with all of the terms of this insurance; and
- b. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

**5. Limitation - Electronic Media and Records**

We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

- a. 60 consecutive days from the date of direct physical loss or damage; or
- b. The period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace with reasonable speed and similar quality, other property at the described premises due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

- (1) Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;
- (2) Data stored on such media; or



- (3) Programming records used for electronic data processing or electronically controlled equipment.

**Example No. 1:**

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the damage occurred. We will only pay for the Business Income loss sustained during the period June 1-September 1. Loss during the period September 2-October 1 is not covered.

**Example No. 2:**

A Covered Cause of Loss results in the loss of data processing programming records on August 1. The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1 - September 29 (60 consecutive days). Loss during the period September 30-October 15 is not covered.

## 6. Loss Payment

In the event of loss or damage covered by this policy:

- a. We will not pay you more than your financial interest in the Covered Property.
- b. We will either:
  - (1) Pay the value of lost or damaged property, as described in paragraph d. below;
  - (2) Pay the cost of repairing or replacing the lost or damaged property, plus any reduction in value of repaired items;
  - (3) Take all or any part of the property at an agreed or appraised value; or
  - (4) Repair, rebuild or replace the property with other property of like kind and quality.
- c. We will give notice of our intentions within 30 days after we receive the sworn statement of loss.
- d. We will determine the value of Covered Property as follows:
  - (1) At replacement cost (without deduction for

depreciation), except as provided in (2) through (7) below.

- (a) You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim on a replacement cost basis if you notify us of your intent to do so within 180 days after the loss or damage.
- (b) We will not pay on a replacement cost basis for any loss or damage:
  - (i) Until the loss or damaged property is actually repaired or replaced; and
  - (ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.
- (c) We will not pay more for loss or damage on a replacement cost basis than the least of:
  - (i) The cost to replace, on the same premises, the lost or damaged property with other property:
    - i. Of comparable material and quality; and
    - ii. Used for the same purpose; or
  - (ii) The amount you actually spend that is necessary to repair or replace the lost or damaged property.
- (2) If the "Actual Cash Value-Buildings" option applies, as shown in the Declarations, paragraph (1) above does not apply to Buildings. Instead, we will determine the value of Buildings at actual cash value.
- (3) The following property at actual cash value:
  - (a) Used or second-hand merchandise held in storage or for sale;
  - (b) Property of others;
  - (c) Household contents, except personal property in apartments or rooms furnished by you as landlord;

- (d) Manuscripts;
- (e) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac.
- (4) Glass at the cost of replacement with safety glazing material if required by law.
- (5) Tenants' Improvements and Betterments at:
  - (a) Replacement cost if you make repairs promptly.
  - (b) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
    - (i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
    - (ii) Divide the amount determined in (i) above by the number of days from the installation of improvements to the expiration of the lease. If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
  - (c) Nothing if others pay for repairs or replacement.
- (6) Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:
  - (a) Blank materials for reproducing the records; and
  - (b) Labor to transcribe or copy the records.
- (7) Applicable only to the Optional Coverages:
  - (a) Money at its face value; and
  - (b) Securities at their value at the close of business on the day the loss is discovered.

The value of United States Government Internal Revenue taxes and custom duties and refundable state and local taxes paid or fully determined on the following property held for sale will not be considered in determining the value of Covered Property:

- (a) Distilled spirits;
- (b) Wines;
- (c) Rectified products; or
- (d) Beer.
- e. Our payment for loss of or damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.
- f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.
- g. We will pay for covered loss or damage within 30 days after we receive the sworn statement of loss, if:
  - (1) You have complied with all of the terms of this policy; and
  - (2) (a) We have reached agreement with you on the amount of loss; or
  - (b) An appraisal award has been made.

## 7. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, you may retain the property. But then you must return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

## 8. Resumption of Operations

We will reduce the amount of your:

- a. Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- b. Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.



**9. Vacancy**

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage, we will:

- a. Not pay for any loss or damage caused by:
  - (1) Vandalism; or
  - (2) Sprinkler leakage unless you have protected the system against freezing.
- b. Reduce the amount we would otherwise pay for the loss or damage by 15%.

Buildings under construction are not considered vacant.

**F. PROPERTY GENERAL CONDITIONS****1. Control of Property**

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

If you violate a condition of this policy, we will not pay for loss or damage at the involved location. But your coverage will continue for other locations at which the violation does not apply.

**2. Mortgage Holders**

- a. The term "mortgage holder" includes trustee.
- b. We will pay for covered loss of or damage to buildings or structures to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgage holder will still have the right to receive loss payment if the mortgage holder:
  - (1) Pays any premium due under this policy at our request if you have failed to do so;
  - (2) Submits a signed, sworn statement of loss within 60 days after receiving notice from us

of your failure to do so; and

- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.

All of the terms of this policy will then apply directly to the mortgage holder.

- e. If we pay the mortgage holder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

- (1) The mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
- (2) The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgage holder at least:

- (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
- (2) 30 days before the effective date of cancellation if we cancel for any other reason.

- g. If we do not renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

**3. No Benefit to Bailee**

No person or organization, other than you having custody of Covered Property will benefit from this insurance.

**4. Policy Period, Coverage Territory**

Under this form:

- a. We cover loss or damage commencing:

- (1) During the policy period shown in the Declarations; and

- (2) Within the coverage territory or, with respect to property in transit, while it is between points in the coverage territory.

b. The coverage territory is:

- (1) The United States of America (including its territories and possessions);
- (2) Puerto Rico; and
- (3) Canada.

## G. OPTIONAL COVERAGES

If shown as applicable in the Declarations, the following Optional Coverages also apply. These coverages are subject to the terms and conditions applicable to property coverage in this policy, except as provided below.

### ☐ 1. Outdoor Signs

- a. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:
- (1) Owned by you; or
- (2) Owned by others but in your care, custody or control.
- b. Paragraph A.3., Covered Causes of Loss, and Section B., Exclusions, do not apply to this Optional Coverage, except for:
- (1) Paragraph B.1.c., Governmental Action;
- (2) Paragraph B.1.d., Nuclear Hazard; and
- (3) Paragraph B.1.f., War and Military Action.
- c. We will not pay for loss or damage caused by or resulting from:
- (1) Wear and tear;
- (2) Hidden or latent defect;
- (3) Rust;
- (4) Corrosion; or
- (5) Mechanical breakdown.
- d. The most we will pay for loss of or damage in any one occurrence is the Limit of Insurance for Outdoor Signs shown in the Declarations.

- e. The provisions of this Optional Coverage supersede all other references to outdoor signs in this policy.

### ☐ 2. Exterior Grade Floor Glass

- a. We will pay for direct physical loss of or damage to all exterior grade floor and basement glass, including all lettering and ornamentation, located at the described premises and:
- (1) Owned by you; or
- (2) Owned by others but in your care, custody or control.
- b. We will also pay for necessary:
- (1) Expenses incurred to put up temporary plates or board up openings;
- (2) Repair or replacement of encasing frames; and
- (3) Expenses incurred to remove or replace obstructions.
- c. Paragraph A.3., Covered Causes of Loss, and Section B., Exclusions, do not apply to this Optional Coverage, except for:
- (1) Paragraph B.1.c., Governmental Action;
- (2) Paragraph B.1.d., Nuclear Hazard; and
- (3) Paragraph B.1.f., War and Military Action.
- d. We will not pay for loss or damage caused by or resulting from:
- (1) Wear and tear;
- (2) Hidden or latent defect;
- (3) Corrosion; or
- (4) Rust.

### ☐ 3. Burglary and Robbery

- a. We will pay for direct physical loss of or damage to Business Personal Property, including money and securities, at the described premises resulting directly from actual or attempted:
- (1) Burglary, meaning the taking of property from

inside the described premises by a person unlawfully entering or leaving the premises as evidenced by marks of forcible entry or exit; or

(2) Robbery, meaning the taking of property from the care and custody of a person by one who has:

(a) Caused or threatened to cause that person bodily harm; or

(b) Committed an obviously unlawful act witnessed by the person from whom the property was taken.

b. Coverage for money and securities extends to that property while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having care and custody of the property, at the described premises, or in transit between any of these places.

c. We will not pay for loss or damage:

(1) To household and personal effects in living quarters occupied by you, your partner, officer, director or stockholder or any relative of any of these.

(2) To accounts, deeds, evidences of debt and manuscripts.

(3) Of property that is missing when there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory.

(4) Resulting from any dishonest or criminal act:

(a) That you or any of your partners commit whether acting alone or in collusion with other persons; or

(b) Committed by any of your employees, directors, trustees or authorized representatives:

(i) Acting alone or in collusion with other persons; or

(ii) While performing services for you or otherwise.

(5) Resulting from voluntary parting with any property by you or anyone else to whom

you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

(6) Of property that has been transferred to a person or place outside the described premises on the basis of unauthorized instructions.

(7) Resulting from delay, loss of use or loss of market.

(8) Occurring during a fire at the described premises.

d. The most we will pay for loss or damage in any one occurrence is:

(1) The limit shown in the Declarations for Inside the Premises for money and securities while:

(a) In or on the described premises; or

(b) Within a bank or savings institution:

(2) The limit shown in the Declarations for Outside the Premises for money and securities while anywhere else; and

(3) 25% of the Business Personal Property Limit of Insurance for all other property. But each of the following types of property are covered only up to \$2,500:

(a) Furs, fur garments and garments trimmed with fur;

(b) Jewelry, watches, watch movements, jewels, precious and semi-precious stones, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item; and

(c) Patterns, dies, molds and forms.

e. All loss or damage:

(1) Caused by one or more persons; or

(2) Involving a single act or series of related acts; is considered one occurrence.

#### ☐ 4. Employee Dishonesty

- a. We will pay for direct loss of or damage to Business Personal Property, including money and securities, resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:

(1) Cause you to sustain loss or damage; and also

(2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:

(a) Any employee; or

(b) Any other person or organization.

- b. We will not pay for loss or damage:

(1) Resulting from any dishonest or criminal act that you or any of your partners commit whether acting alone or in collusion with other persons.

(2) The only proof of which as to its existence or amount is:

(a) An inventory computation; or

(b) A profit and loss computation.

- c. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations.

- d. All loss or damage:

(1) Caused by one or more persons; or

(2) Involving a single act or series of related acts;  
is considered one occurrence.

- e. We will pay only for loss or damage you sustain through acts committed or event occurring during the Policy Period. Regardless of the number of years this policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.

- f. This Optional Coverage does not apply to any employee immediately upon discovery by:

(1) You; or

(2) Any of your partners, officers or directors not in collusion with the employee; of any dishonest act committed by that employee before or after being hired by you.

- g. We will pay only for covered loss or damage discovered no later than one year from the end of the Policy Period.

- h. If you (or any predecessor in interest) sustained loss or damage during the period of any prior insurance that you could have recovered under that insurance except that the time within which to discover loss or damage had expired, we will pay for it under this Optional Coverage, provided:

(1) This Optional Coverage became effective at the time of cancellation or termination of the prior insurance; and

(2) The loss or damage would have been covered by this Optional Coverage had it been in effect when the acts or events causing the loss or damage were committed or occurred.

- i. The insurance under paragraph h. above is part of, not in addition to, the Limit of Insurance applying to this Optional Coverage and is limited to the lesser of the amount recoverable under:

(1) This Optional Coverage as of its effective date; or

(2) The prior insurance it had remained in effect.

☐ **5. Mechanical Breakdown**

- a. We will pay for direct damage to Covered Property caused by an Accident to an Object. The Object must be:

(1) Owned by you or in your care, custody or control; and

(2) At the described premises.

- b. Accident means a sudden and accidental breakdown of the Object or a part of the Object. At the time the breakdown occurs, it must manifest itself by physical damage to the Object that necessitates repair or replacement.